THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Madam.

(b) Does not arise in view of (a) above.

Unified Tax Regime

1419. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) whether the Commerce Associations have urged Government to initiate action towards integration of Central Value Added Tax (VAT) and State level VAT; and

(b) whether it is proposed to bring a Unified Tax Regime, if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) As per the provisions of the Constitution, the Central Government is empowered to levy tax on manufacture of goods (CENVAT), whereas the State Governments have the powers to levy tax on purchase or sale of goods within a State (State VAT). Therefore, integration of CENVAT and State VAT would require a constitutional amendment. Moreover, a number of other issues would require to be settled, in consultation with the States, before a Unified Tax Regime is implemented. Some States have not implemented VAT yet. The Central Sales Tax on inter-State sale of goods will also need to be integrated with VAT. There is also the question of integration of taxation of goods and services.Thus, there is no prospect of implementation of a Unified Tax Regime in the immediate future.

States debt burden

1420. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that various State Governments are facing acute financial problems and they are trapped in debt;

(b) if so, the details thereof;

(c) whether there is any possibility that interest rate against States borrowings can be slumped upto 5 to 6 per cent; and

(d) if so, Government's approach thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) States have been facing financial problems due to increase in the debt liabilities which have gone up from 24.9% of GDP in 1999-2000 to about 31.7% of GDP in 2004-05.

(c) and (d) Not in the short term. However, with respect to the Central loans disbursed to States up to 31.3.2004 and as outstanding on 31.3.2005, Government of India has accepted the recommendation of the Twelfth Finance Commission, to consolidate such loans at a reduced interest rate of 7.5% with repayment in 20 equal annual instalments subject to States enacting their FRBM Act.

Waives of agricultural loans to farmers

1421. SHRI S. ANBALAGAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to waive/write-off/schedule/ restructure the agricultural loans to farmers in view of recent floods in many parts of the country;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Reserve Bank of India has issued standing instructions to banks in August, 1984 (revised in June, 1998) for providing relief in areas affected by natural calamities, including flood. With a view to allowing greater discretion to banks to decide upon the quantum of relief assistance to be provided to the affected farmers, the modified guidelines, *inter-alia*, permit banks to:

- Convert/reschedule loans in the event of natural calamity for periods ranging from 3 to 9 years, depending upon the succesive crop failure/intensity of damage to crops.